HOUSING MARKET OUTLOOK
St. John's CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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Steady Housing Market Ahead

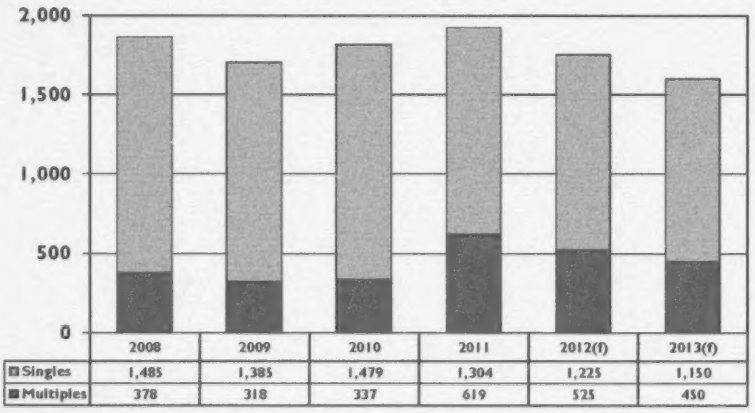
Growth in population, income and employment will support the local housing market for the remainder of this year and 2013. House prices and the current inventory of new and existing units are expected to cause housing activity to moderate over the forecast period. The solid economic outlook for the St. John's area is expected to contribute to a relatively stable housing market for 2012 and 2013.

Economic Overview

The provincial economy is expected to grow in 2012 due to solid full-time employment gains and positive growth in consumer spending activity, including auto sales. These trends, along with

Figure 1

Fewer New Homes
Housing Starts- St. John's Region



	2008	2009	2010	2011	2012(f)	2013(f)
Singles	1,485	1,385	1,479	1,304	1,225	1,150
Multiples	378	318	337	619	525	450

Source and Forecast: CMHC

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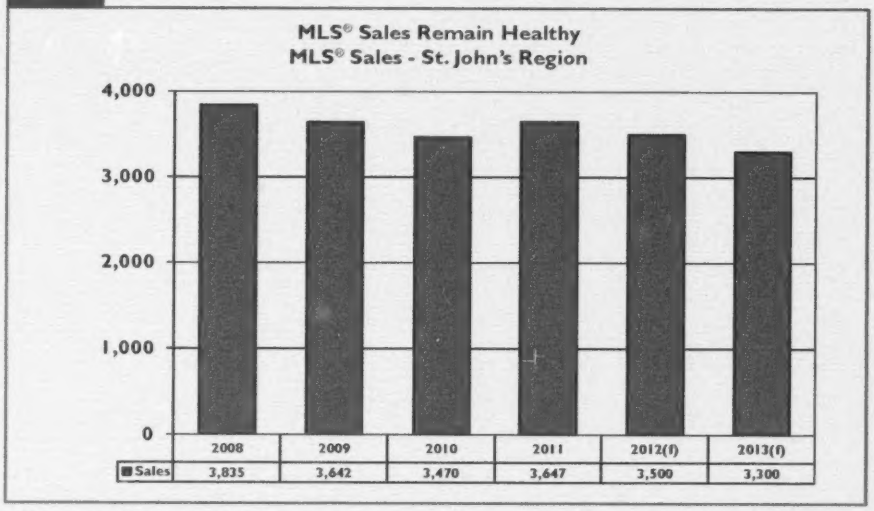
strong income growth are expected to support the overall economic outlook over the forecast period.

New energy and mining project developments, as well as increased mining production, will remain key supporters of economic growth. An expected decline in 2012's rate of growth is related to a temporary drop in oil production as a result of oil platform refitting and a move by the province to balance the budget in the current fiscal year. A moderate rebound in 2013 will be related to further increases in energy and mining related spending activity. For the province, expect 1.5 per cent GDP growth in 2012 and 1.8 per cent in 2013.

Figure 2



Source: CREA; Forecast: CMHC
MLS® is a registered trademark of the Canadian Real Estate Association (CREA)
Note: Eastern Region (St. John's) MLS® data unavailable prior to 2008 calendar year

Mortgage Rates

CMHC uses publically available information and the consensus among major Canadian forecasters as a basis for its interest rate forecast. Although there is significant uncertainty, consensus forecasts suggest that interest rates are not expected to rise until at least later in 2012, but will remain low by historical standards, thus supporting the Canadian housing market.

According to CMHC's base case scenario, posted mortgage rates will increase near the end of 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.1 to 3.6 per cent range, while the five-year posted mortgage rate is forecast to be within 5.0 to 5.4 per cent. For 2013, the one-year posted mortgage rate is expected to rise with interest rates and be in the 3.5 to 4.1 per cent range, while the five-year posted mortgage rate is forecast to be within 5.1 to 5.6 per cent.

MLS® Sales to Decline

The St. John's area resale market is expected to post lower sales activity this year and next. Accordingly, the forecast calls for MLS® sales of 3,500 units this year compared to 3,647 sales in 2011. Expect a further decline in 2013 to 3,300 sales. With new home sales representing 28 per cent of total MLS® sales in 2011, solid residential construction activity will continue to add support to total MLS® sales over the forecast period.

The seven per cent increase in last year's average MLS® price was partly due to higher new home construction activity, as well as the trend towards bigger, more expensive homes. With housing demand expected to moderate slightly over the forecast period, MLS® sales are expected to remain relatively strong despite the forecasted declines. With only 13 per cent of active listings selling since the beginning of 2012, resale market conditions have been challenging for some sellers. Inventory has also increased over last year, providing buyers with a broad choice of homes in most areas.

During the first quarter of 2012, listings remained on the market for an average of 73 days and average prices continued to show gains, with offers at approximately 98 per cent of asking price. For the St. John's area, there were 1,664 new residential listings compared to 1,518 during the same period last year. Active listings averaged 1,622 a month versus 1,516 during the first quarter of 2011. The sales-to-active listings ratio indicated that 13 per cent of listings sold during the quarter compared to a similar 13.4 per cent during the same time last year.

With higher levels of inventory in the local resale market and more moderate housing demand, the expectation is for single-digit price growth in 2012 and 2013. After several years of very strong growth, the average MLS® house price is forecast to end this year at $280,000, up about four per cent compared to 2011's average of $268,608. The average price

will see marginal growth of about two per cent to $285,000 in 2013. Move-up buyers' preference for two-storey homes will continue to support prices in this segment over the forecast period, while bungalows, row and semi-detached units will remain appealing for first-time buyers.

Moderately Lower New Home Construction Activity

Recent prosperity has resulted in a preference for higher end housing throughout the St. John's area, which has also influenced the price of new homes. Although new home construction activity is expected to be moderately lower this year and next compared to last year, it will continue to be supported by strength in the local economy. As a result, low single-digit price growth is expected in the new home market for the remainder of 2012 and 2013. Single-detached new home prices will end 2012 at about $360,000 compared to $351,305 in 2011. Expect prices to reach $365,000 in 2013, as demand slows for new homes. With construction activity expected to moderate over the forecast period, single-detached housing starts are expected to end this year down six per cent to 1,225 units for the St. John's area and decline a further nine per cent in 2013 to 1,150 units.

Mixed Multiple Starts Activity

Growing demand from seniors and a tighter rental market will lead to increased multiple construction activity over the forecast period. The multiple unit segment of the market is expected to see 525 new units start construction this year, before declining to 450 units in 2013. With high new home prices, new single-detached homes with basement apartments will remain popular, as buyers are likely to choose to add an apartment unit to offset mortgage carrying costs.

The mid-priced local condo market is developing slower than expected, but the rapidly aging population will continue to steer demand towards condo units in the St. John's area. The expectation for those downsizing is to sell their home and purchase a condo without taking on a new mortgage. Recent condo price growth, however, has made this move difficult to achieve. Accordingly, more mid-priced (under $350,000) condo developments are expected to come onto the market over the forecast period. Despite the considerable house price growth in this market recently, demand for row and semi-detached housing continues to be limited due to buyers opting for two apartment homes instead.

Total housing starts are forecast to end this year at 1,750 units within the St. John's region compared to 1,923 units in 2011. Expect 1,600 units to start in 2013.

Vacancy Rate to Remain Low

Several factors will keep the vacancy rate low this year and next. Increased economic activity will continue to have a positive impact on the in-migration of younger (age 25 to 34) workers to the St. John's region from other areas of the province and from abroad. As well, current house prices will limit the movement of renters to homeownership. Memorial University and local colleges will also continue to draw both local and international students, who traditionally rent within the region. Investment in new multi-unit apartment developments is expected and will begin to slowly increase the supply of apartments this year and next to meet forecasted demand. Accordingly, the vacancy rate for surveyed structures containing three or more rental units (two-apartment homes excluded) is expected to be in the 1.5 per cent range in 2012 and 2013. With the vacancy rate remaining low, demand will continue to exert upward pressure on rents. Expect the average two-bedroom monthly rent to increase to $825 by the end of this year and to $850 in 2013.

Forecast Summary St. John's CMA Spring 2012	2009	2010	2011	2012f	% chg	2013f	% chg
Resale Market							
MLS® Sales	3,642	3,470	3,647	3,500	-4.0	3,300	-5.7
MLS® New Listings	5,799	6,332	7,073	7,250	2.5	7,300	0.7
MLS® Average Price ($)	218,862	251,191	268,608	280,000	4.2	285,000	1.8
New Home Market							
Starts:							
Single-Detached	1,385	1,479	1,304	1,225	-6.1	1,150	-6.1
Multiples	318	337	619	525	-15.2	450	-14.3
Starts - Total	1,703	1,816	1,923	1,750	-9.0	1,600	-8.6
Average Price ($):							
Single-Detached	281,803	325,436	351,305	360,000	2.5	365,000	1.4
Median Price ($):							
Single-Detached	260,000	299,904	321,450	329,600	2.5	334,300	1.4
New Housing Price Index (% chg.)	11.5	5.9	4.0	2.0	-	1.5	-
Rental Market							
October Vacancy Rate (%)	0.9	1.1	1.3	1.5	-	1.5	-
Two-bedroom Average Rent (October) ($)	677	725	771	825	-	850	-
Economic Overview							
Mortgage Rate (1 year) (%)	4.02	3.49	3.52	3.37	-	3.78	-
Mortgage Rate (5 year) (%)	5.63	5.61	5.37	5.26	-	5.37	-
Annual Employment Level	98,600	100,900	105,400	108,500	2.9	111,500	2.8
Employment Growth (%)	0.0	2.3	4.5	2.9	-	2.8	-
Unemployment rate (%)	8.3	7.7	6.6	7.0	-	7.2	-
Net Migration	2,277	2,719	1,694	1,800	6.3	1,900	5.6

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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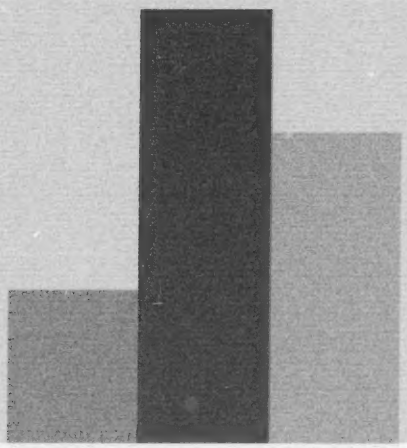

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